

REX INTERNATIONAL HOLDING LIMITED

(Company Number: 201301242M)

(Incorporated in the Republic of Singapore)

REX INVESTS IN COMMERCIAL DRONE COMPANY AS PART OF BUSINESS DIVERSIFICATION

1. INTRODUCTION

The board of directors (the **"Board"**) of Rex International Holding Limited (the **"Company"** or **"Rex"** and together with its subsidiaries, the **"Group"**) wishes to announce that the Company's wholly-owned subsidiary Rex Technology Investments Pte Ltd (**"RTI"**) has entered into a conditional subscription agreement on 5 July 2021 (**"Subscription Agreement"**) with Xer Technologies Pte. Ltd. (**"Xer"**) to subscribe for 33,333 shares in Xer, an approximate 40% shareholding interest in the Singapore-registered commercial drone company at a consideration of US\$1 million (the **"Acquisition"**). Xer was incorporated in Singapore on 8 June 2021 and has yet to commence operations. As at the date of this announcement, Xer has a total issued and paid-up share capital of S\$50,000 comprising 50,000 ordinary shares.

As a condition to completion of the Acquisition (**"Completion"**), RTI is to enter into a shareholders' agreement with Xer's other shareholders (**"Shareholder's Agreement"**), pursuant to which, RTI shall commit to inject a capital amount of up to US\$3 million, subject to the achievement of certain technical and sales milestones by Xer within the next 18 months. RTI has further agreed to support Xer with management personnel from the Group, on arm's length terms to be agreed between the shareholders. RTI will have the right to appoint two out of five directors to the board of directors of Xer.

The initial consideration of US\$1 million and subsequent capital commitment of up to US\$3 million (collectively, the **"Consideration"**), to be fully satisfied in cash, was determined based on a willing buyer willing seller basis after negotiations between Xer and RTI and taking into consideration the rationale for the Acquisition, the potential of Xer and the Bridging Loan (as defined herein).

2. CHAPTER 9 OF THE CATALIST RULES

Dr Karl Lidgren and Mr Hans Lidgren are controlling shareholders of the Company with a 34.71% deemed interest in the Company held through Limea Ltd. (**"Limea"**), in which each of Mr Hans Lidgren and Cresta Group Ltd (**"Cresta"**) have a 50% shareholding interest respectively. Cresta is in turn wholly-owned by Dr Karl Lidgren.

Cresta and Limea each hold 70% and 25% of the shareholding interest in Xer respectively, prior to Completion. Upon Completion, Cresta and Limea will hold 42% and 15% shareholding interest in Xer respectively. Dr Karl Lidgren is also a Non-Independent and Executive Director of the Company. As such, Xer is an "interested person" pursuant to Chapter 9 of Section B: Rules of Catalyst (the **"Catalist Rules"**) of the Singapore Exchange Securities Trading Limited (the **"SGX-**

ST"). Accordingly, entry into the agreements between RTI and Xer as an "interested person", is an "interested person transaction" pursuant to Chapter 9 of the Catalist Rules.

The total Consideration of up to US\$4 million represents approximately 2.92% of the Group's latest audited net tangible assets as at 31 December 2020, being US\$136.86 million ("**NTA**"), which is less than 3% of the NTA. Accordingly, the Company is not required to make an announcement in respect of the Agreements pursuant to Catalist Rule 905. However, the Company has elected to make an announcement to inform shareholders of the Group's business diversification efforts.

As at the date of this announcement, there are no other transactions with Xer, Mr Hans Lidgren or Dr Karl Lidgren or their respective associates for the current financial year ending 31 December 2021 (excluding the Acquisition).

There have been no interested person transactions entered into between the Group and any interested person, excluding any transaction below S\$100,000, in the current financial year ending 31 December 2021.

3. THE ACQUISITION

3.1 About Xer

As a condition precedent of the Acquisition and of entry into the Subscription Agreement, Xer on 3 July 2021 signed an agreement to acquire 100% of the shareholding interest in UAV Development Sweden AB ("**UAVDS**") for Swedish Kroner 50,000 (approximately S\$7,900). UAVDS is a spin-off from a Swedish security company, Nicax Holding AB (6.7% held by a holding company 100% owned by Mr Martin Lidgren, son of Dr Karl Lidgren), that has been offering commercial drone flying search and rescue and surveillance services to customers since 2011.

In 2019, UAVDS started developing its own durable, long-range multirotor drones that could fly for up to four hours, when it saw a lack of suitable heavy-duty drones with long flight time on the market. The drones also offer a heavy net payload capability of up to 20 kg as well as a strong chassis suitable for heavy-duty all-weather use. The in-house developed and built drones - targeted at clients in areas such as infrastructure inspection, search and rescue operations, public safety and animal herding - are slated to be commercially available in the fourth quarter of 2021.

Research suggests that the global commercial drone market is anticipated to reach US\$501.4 billion by 2028, registering a Compound Annual Growth Rate (CAGR) of 57.5% from 2021 to 2028.¹

Following Completion, the shareholders of Xer are RTI at 40%, Cresta at 42%, Limea at 15%, and Makli Invest AS at 3%. As Xer is a newly incorporated company and completion of the acquisition of UAVDS is concurrent to entry into the Subscription Agreement, the estimated unaudited proforma net asset value of Xer as at 31 December 2020 was approximately US\$434,000.

¹ Source: Research and Markets, "Commercial Drone Market Size, Share & Trends Analysis Report by Product, by Application, by End-use, by Region, and Segment Forecasts, 2021-2028", May 2021

3.2 Details of the Acquisition

Upon Completion in accordance with the terms and conditions of the subscription agreement, Xer will become an associated company of the Company.

UAVDS has obtained a bridging loan ("**Bridging Loan**") from Limea of Swedish Kroner 2 million (approximately S\$315,000) for operations and acquisition of inventory, with an interest rate of 10% per annum. As of the date of this announcement, the accrued interest is less than S\$2,600. The Consideration will be partially utilised to repay and discharge the Bridging Loan.

While the Acquisition is also subject to the requirements of Chapter 10 of the Catalist Rules, the transaction constitutes a non-discloseable transaction where the relative figures computed on the applicable bases set out under Catalist Rule 1006 is less than 5%. Accordingly, the Company is not required to make an announcement in respect to the transaction.

Completion of the Acquisition is conditional upon, *inter alia*, the fulfilment of the following conditions:

- a) the receipt by RTI of a copy of Xer's certificate of incumbency;
- b) the receipt by RTI of a copy of minutes of a meeting of the board of directors of Xer under which the board of directors respectively have approved:
 - (i) the issuance of Shares to RTI in accordance with and pursuant to the terms of the subscription agreement on closing;
 - (ii) the issuance to RTI of a share certificate relating to the Xer shares; and
 - (iii) the registration of RTI in Xer's register of members as the holder of Xer shares; and
- c) the receipt by RTI of the duly signed original Shareholders' Agreement;
- d) evidence of Xer's 100% shareholding ownership in UAVDS; and
- e) receipt of a written confirmation from UAVDS of no outstanding debt, except for the Bridging Loan.

3.3 Rationale for the Acquisition

The Acquisition allows the Company to diversify from its core business of oil exploration and production, to an investment in a promising company in an up-and-coming industry that exhibits strong potential growth, at a relatively modest Consideration, coupled with limited risks.

Rex's shareholders had in 2019, approved the proposed diversification of the Group's business to include sustainable solutions for energy production and materials used in various industries. Xer's unique heavy-duty drones will promote sustainable practices for corporations and government institutions on a global scale by replacing larger and heavier modes of transport such as helicopters, trucks and sea vessels for a wide range of applications, minimising environmental impact and reducing CO₂ emissions. As such, the Acquisition brings the Group a step closer towards its business diversification mandate.

4. STATEMENT FROM THE AUDIT COMMITTEE

Having considered the terms and conditions of, as well as the rationale for the Acquisition, the Audit Committee of the Company is of the view that the Acquisition is made on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders.

5. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed above, none of the Directors and to the best of the Directors' knowledge, none of the controlling shareholders of the Company or their respective associates has any interest, direct or indirect, in the Acquisition, other than that arising from their respective capacity as Directors or shareholders of the Company.

BY ORDER OF THE BOARD OF

Rex International Holding Limited

Dan Broström
Executive Director and Chairman

6 July 2021

This announcement has been prepared by the Company and reviewed by the Company's sponsor, Novus Corporate Finance Pte. Ltd. (the "Sponsor"), in compliance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalyst.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made, or reports contained in this announcement.

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